

**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL**

FOR: HEALTH CARE FINANCING ADMINISTRATION

TO: REGIONAL ADMINISTRATOR
HEALTH CARE FINANCING ADMINISTRATION
DEPARTMENT OF HEALTH AND HUMAN SERVICES

1. TRANSMITTAL NUMBER:

04-014

2. STATE

NC

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE
SOCIAL SECURITY ACT (MEDICAID)

4. PROPOSED EFFECTIVE DATE

October 1, 2004

5. TYPE OF PLAN MATERIAL (Check One):

☐ NEW STATE PLAN

☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN

☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION:

42 CFR 447.362

7. FEDERAL BUDGET IMPACT:

a. FFY 2005 \$0.00

b. FFY 2006 \$0.00

8. PAGE NUMBER OF THE PLAN SECTION OR
ATTACHMENT:

Attachment 4.19-D, Page 4

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION
OR ATTACHMENT (If Applicable):

Attachment 4.19-D, Page 4

10. SUBJECT OF AMENDMENT:

Prospective Reimbursement Plan for Nursing Care Facilities – Return on Equity methodology extended.

11. GOVERNOR'S REVIEW (Check One):

☐ GOVERNOR'S OFFICE REPORTED NO COMMENT

☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED

☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

☒ OTHER, AS SPECIFIED:

12. SIGNATURE OF STATE AGENCY OFFICIAL:

Carmen Hooker Odom

13. TYPED NAME:

Carmen Hooker Odom

14. TITLE:

Secretary

15. DATE SUBMITTED:

October 28, 2004

16. RETURN TO:

Office of the Secretary
Department of Health and Human Services
2001 Mail Service Center
Raleigh, North Carolina 27699-2001

17. DATE RECEIVED:

NOV - 1 2004

19. EFFECTIVE DATE OF APPROVED MATERIAL:

OCT - 1 2004

21. TYPED NAME:

Carmen Keller

23. REMARKS:

18. DATE RECEIVED:

JAN 18 2005

20. SIGNATURE OF REGIONAL OFFICIAL:

22. TITLE:

Medical Assistance
State North Carolina

Payment for Services – Prospective Reimbursement Plan for Nursing Care Facilities

- (H) The statewide direct care ceiling will be adjusted annually using the index factor set forth in Section .0102(e). The facility's base year per diem neutralized case-mix adjusted cost plus the facility's base year per diem non-case-mix adjusted cost will be adjusted annually using the index factor set forth in Section .0102(e).
- (3) The indirect rate is intended to cover the following costs of an efficiently and economically operated facility:
 - (A) Administrative and General,
 - (B) Laundry and Linen,
 - (C) Housekeeping,
 - (D) Operation of Plant and Maintenance/Non-Capital,
 - (E) Capital/Lease,
 - (F) Medicaid cost of Indirect Ancillary Services.
- (4) Effective for dates of service beginning October 1, 2003, the indirect rate will be standard for all nursing facilities. Each facility's per diem indirect cost is the sum of 1) the facility's indirect base year cost, excluding the Medicaid cost of indirect ancillary services, divided by the facility's total base year inpatient days plus 2) the facility's Medicaid cost of indirect ancillary services base year cost divided by the facility's total base year Medicaid resident days. The base year per diem indirect cost, excluding property ownership and use and mortgage interest shall be trended forward using the index factor set forth in Section .0102(e) of this section. Each facility's base year per diem indirect cost is arrayed from low to high and the Medicaid-day-weighted median cost is determined. The indirect rate is established at 100 percent of the Medicaid-day-weighted median cost. The indirect rate shall be adjusted annually by the index factor set forth in Section .0102(e).

(c) Nursing facility assessments. An adjustment to the nursing facility payment rate calculated in accordance with Section .0102(b) is established, effective October 1, 2003, to reimburse Medicaid participating nursing facilities for the provider's assessment costs that are incurred for the care of North Carolina Medicaid residents. No adjustment will be made for the provider's assessment costs that are incurred for the care of privately paying residents or others who are not Medicaid eligible.

(d) Return on Equity. Effective fiscal year October 1, 2003 through September 30, 2004 and each year thereafter, the nursing facility payment rate calculated in accordance with Section .0102(b) shall be adjusted to include a return on equity capital add-on for those proprietary providers who received a FY01 return on equity capital payment. The return on equity capital add-on is equal to the facility's total FY01 return on equity capital payment divided by the facility's base year total Medicaid resident days.

(e) Index factor. The index factor shall be based on the Skilled Nursing Facility Market Basket without Capital Index published by Global Insight using the most current quarterly publication available annually as of August 1. The index factor shall not exceed that approved by the North Carolina General Assembly. If necessary, the Division of Medical Assistance shall adjust the annual index factor or rates in order to prevent payment rates from exceeding upper payment limits established by Federal Regulations.

(f) New Facilities and Transfer of Ownership of Existing Facilities

TN. No. 04-014
Supersedes
TN. No. 03-009

Approval Date JAN 18 2005

Eff. Date 10/01/2004